BONUM WEALTH
INDEPENDENT FINANCIAL PLANNING

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Your Window on
Wealth
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What money rules would you pass to the next generation?

As parents and grandparents, we all hope the values that we hold dear can somehow be passed on to our children and grandchildren. We'd all like them to be able to make the right financial decisions for the future. Here are a few thoughts that might just help.

Spend less than you earn
It's not easy to get ahead if you're spending as much, or more, than you're earning. Everyone needs a back-up fund, and one of the easiest ways to ensure you're putting money by for a rainy day is to pay yourself first. Transferring money into a savings account on pay day can help you manage your budget better and encourage you to maintain the savings habit. If you don't have any cash reserves, you could find yourself building up debt by putting emergency spending onto your credit card.

Take control, keep on track
Everyone has financial aims and learning to control money from a young age will help them become achievable. Whether it's saving for a deposit for a home of your own or ensuring you have enough to live on in retirement, starting early, getting good advice and regularly reviewing the progress you're making towards your goals all make good sense.

If it seems to be too good to be true…
Financial scams are now widespread and come in a variety of forms. What they offer may look appealing and be presented by people who seem plausible, but scams have resulted in people being used as money mules and risking criminal prosecution or losing substantial amounts of money to bogus or unsound investments, or even being conned out of their entire pension savings. Don't let this happen to you.

Taking financial advice about major transactions such as investments, mortgages and pensions aims to ensure that your interests will always be fully protected, and you will be able to make the right decisions for your financial future.

Volatility and me

Volatility is all part and parcel of investing in the stock market. 2017 saw the market experience lower volatility, as confidence grew, but in 2018, the bounce back in volatility was pronounced as unease over global events increased.

To help navigate market volatility, it's best to stick to your plan, diversify your holdings and very importantly, expect and accept volatility. Your goal, whether it be retirement, education or a large purchase, will determine your asset allocation and time horizon.

Investors with diversified portfolios, who stay in the market, have historically and consistently experienced steady gains over time. So, ignore the noise and daily market movements, and focus on the long term. It's important to remember that volatility also presents buying opportunities.

It's a good idea to review your investment objectives whenever you have a major change in your life, so keep in touch with us.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

INSIDE THIS ISSUE:

UK PENSIONERS GET A WORSE DEAL THAN COLOMBIANS

Pensioners in the UK languish way down the table when it comes to the quality of pension provision offered to the poorest and the self-employed. They're worse off than counterparts in countries like Colombia, Chile, Australia and Germany[1]. However, they do enjoy better benefits than those available in France, Italy, Spain and the US.

FINANCIAL ABUSE – BANKS AND BUILDING SOCIETIES VOW SUPPORT

Financial abuse has a catastrophic impact on victims. A new Financial Abuse Code of Practice, being introduced in 11 banks and building societies in the UK, will enable victims to have more informed conversations with these providers, from the moment they report a case of financial abuse.

The voluntary code will be used to train staff, raise awareness and help victims gain more control over their finances. Staff will be equipped to provide reassurance and support to victims throughout the process. The code has been developed with input from the banking industry trade body and victim support groups, amongst other contributors.

HMRC RETURNS £38M TO PENSIONERS

Last autumn there was some good news for those withdrawing pension cash. HMRC paid back £38m it had wrongly charged pensioners because their system fails to recognise one-off payments and assumes that the amount will be paid regularly. If you have been affected, visit www.gov.uk to find out how to claim a refund.

[1]Mercer, Global Pension Index, Oct 2018

A Budget for Scotland designed to *"protect what matters most"*

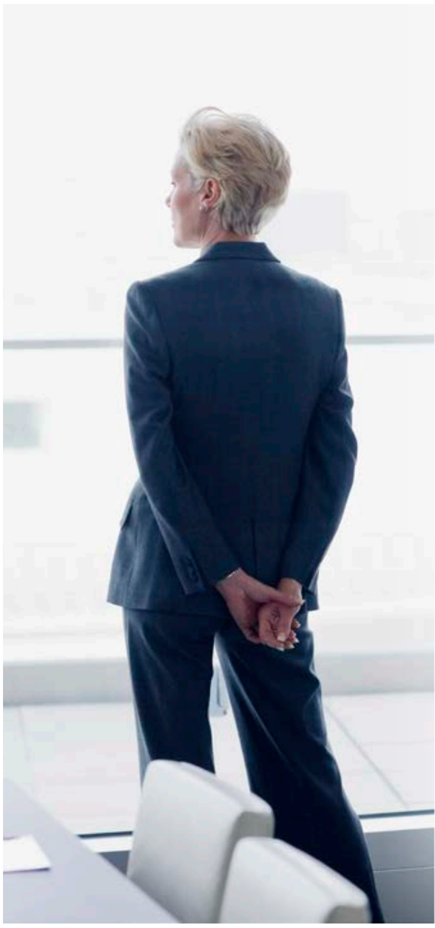
When he presented his draft Budget in December, Scotland's Finance Secretary, Derek MacKay, pledged to protect Scottish interests, at a time when Brexit was dominating the UK political agenda. He was quick to point out that if no deal was forthcoming, he might be forced to revise his budget plans.

Income tax rates and bands for 2019-20
One of the main decisions he took was not to pass on a tax break for higher earners that was announced by the Chancellor in his 2018 UK Budget. In Scotland the higher rate of 41% comes in at over £43,430 whilst in England and Wales this is set at £50,000. Mr MacKay said he believed that *"Taken together with the personal allowance, 99% of taxpayers will pay less income tax next year on the same income."*

Second home buyers to pay more
Those buying a second home or buy-to-let property in Scotland will find that, from 25th January 2019 they will be subject to the Additional Dwelling Supplement at 4% (up from 3%) when paying Land and Buildings Transaction Tax.

Education and Health
His pledges included:

- A real-terms increase in the education budget, including £180m to close the attainment gap
- A real-terms boost of £500m for the health budget and extra investment in mental health
- Extra revenue and capital funding for local government
- £5bn of infrastructure investment over the coming year, including £1.7bn for transport.



Number of working women aged 60-64 has doubled

Employment statistics show that more women are staying in the workplace for longer, with 48.5% in this age bracket in employment[2], compared with just 23.4% back in 1998. This is attributed variously to the short-notice rise in the state pension age from 60 to 65 or 66 currently affecting many women born in the 1950s, higher incidence of divorce later in life, financial necessity, or simply a desire to keep mentally active.

It's also a welcome indication that employers acknowledge the benefits of retaining the skills of older employees within the workplace, though most employers can no longer force retirement when an employee reaches a certain age.

[2]Royal London, Oct 2018

Gifting early to avoid IHT

Many people are considering reducing the size of their estate to minimise the Inheritance Tax (IHT) that will be payable on their death.

Recent research[3] estimates that nearly seven million parents have already given their children around £227bn of their wealth early in order to reduce the amount of IHT payable on their estates. A further 6.5m are thought to be considering similar moves.

Using trusts and life policies

Many families are using trusts to ring-fence assets, effectively removing their value from their estates. However, anyone considering giving away assets in their lifetime should take professional advice. Inheritance Tax is complex and lifetime gifts can end up being taken into consideration for tax purposes if all the conditions applying to these types of gifts aren't fulfilled. Also, Chancellor Philip Hammond earlier this year ordered a review of the IHT system, the implications of which we will monitor closely.

The Financial Conduct Authority does not regulate some forms of taxation advice.

[3]Direct Line Group, Oct 2018

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Trends in baby boomer retirement plans

Living through decades of increasing prosperity has undoubtedly given baby boomers a lot of advantages, but they can also face a number of challenges. Today, many feel pressured into working past their normal retirement date, often because of the number of demands being made on their finances by their families. If they are unable to work, they can have concerns about outliving their savings.

They may face the need to give emotional and financial support to their very elderly parents as well as their children, and sometimes their grandchildren too. All this while also working out how they can best provide for their own retirement and worrying whether they will have sufficient funds saved to pay for their own later-life care.

These concerns have played their part in the growing trend in semi-retirement. The state retirement age is now widely viewed as less of a milestone, with many choosing to work on past that date, for financial reasons or for the mental stimulation that work provides.

A growing role for advice
Research carried out for The London Institute of Banking & Finance[4] shows that many baby boomers have yet to put plans in place for the years that lie ahead. The findings show that 35% worry about how they will manage financially in retirement, 47% say they know they need to save more for the years ahead, 72% realise that they will have to provide for their own care costs.

Interestingly, only 20% of those aged 50 to 59 who took part in the survey had taken financial advice, despite 44% freely admitting that they don't have sufficient knowledge to make the best decisions for their future.

Seeing the bigger picture
A long-running survey carried out by thinktank the International Longevity Centre found that those who took financial advice between 2001 and 2007 had significantly higher savings than those who did not. If you're approaching retirement, having a financial MOT now could help you put in place the plans you need to provide effectively for your financial future.

[4]The London Institute of Banking & Finance, June 2018

OVER-55s FEEL THE PINCH FROM BEING THE 'BANK OF MUM AND DAD'

The Bank of Mum and Dad plays a major role in the housing market but providing support could leave them feeling the pinch as they approach retirement. Recent research[5] found that **17%** of parents felt they either would be, or already are, worse off as a result of providing financial assistance to loved ones. It makes good sense for 'lenders' to seek professional advice to protect their own financial interests too.

[5]Legal & General, Aug 2018

WHERE WE SPEND OUR MONEY

The latest figures from the Office for National Statistics show that in 2017, we spent more of our money in shops than we did online, but the growth of online sales is increasing rapidly, going up by 15.9% in comparison with 2016, to £59.8bn.

The sharp rise in online sales means that store closures on the high street are becoming more common. An average of 16 shops closed every day in 2017, with more than 700 of the closures occurring in the fashion trade. On a brighter note, beauty product stores and food outlets showed the highest increase in net store numbers.

IF YOU WOULD LIKE ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.